

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 RSR-01 /052 W
----- 076541

R 272005Z JUL 73

FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC 3400
INFO AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMEMBASSY SAN JOSE
AMEMBASSY TEGUCIGALPA

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E.O.: 11652: N/A
TAGS: ETRN, XK, ES
SUBJ: CIVAIR-PAN AM SITREP

REF: A. SAN SALVADOR 2699; B. STATE A-614;

1. SUMMARY: PANAM'S EXECUTIVES MET SEPARATELY WITH DAC COL. ORANTES DHEMING AND TACA MANAGEMENT JULY 24. THEY VIEWED THE RESULTS AS MIXED, HAVING SUCCESSFULLY PRESENTED THE OTHER SIDE OF THE CASE TO THE DAC AND RECEIVING SOME FAVORABLE REACTION TO PROPOSED SCHEDULE CHANGES, BUT MAKING LITTLE PROGRESS WITH TACA. PANAM EXECUTIVES SAID THEY BELIEVED THE CA AIRLINES' POSITION AGAINST THEM IS INCREASINGLY DIFFUSED, WITH ONLY TACA AND COPA STILL CLEARLY OPPOSING PANAM. END SUMMARY.

2. PANAM'S SENIOR VICE PRES WILLIAM CULLEY AND EXECUTIVE GEORGE BROWN MET SEPARATELY JULY 24 WITH DAC LT. COL. ORANTES DHEMING AND TACA'S PRES KRIETE, V.P. BALZARETTI AND SALES MANAGER GEORGE MCHUGH, ALONG WITH LOCAL PANAM OFFICIALS LONGORIA AND MARTINEZ. THEY CALLED ON THE AMBASSADOR AFTER SEEING ORANTES AND BRIEFED THE EMBASSY AFTER THE TACA MEETING. AT BOTH APPOINTMENTS CULLEY AND BROWN DESCRIBED PANAM'S PROPOSED OCTOBER 28

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SCHEDULE WHICH IS DESIGNED TO IMPROVE SERVICE FROM THE U.S. TO

CA. IT ALSO RESULTS IN COST EFFICIENCIES AND, INCIDENTALLY, GIVES THE IMPRESSION OF RESPONDING TO THE CA AIRLINES' PROTESTS CONCERNING PAN AM'S REGIONAL "SATURATION". CONCERNING SAN SALVADOR, THE SCHEDULE CUTS BY HALF THE NUMBER OF FREQUENCIES PER WEEK (ANNUAL LANDING FEES HENCE DROP 50 PERCENT FROM THE CURRENT \$200,000). FROM THE CURRENT TWICE DAILY, EXCEPT MONDAY, TO MIAMI, PANAM WILL HAVE ONE DAILY MIAMI/GUAT/SS/PANAMA. THE ONCE WEEKLY ROUND TRIP TO NEW YORK VIA MIAMI AND WASHDC WILL TERMINATE. OUTSIDE THE LOCAL PERMIT, PANAM IS, INTER ALIA, REDUCING FLIGHTS FROM TWICE TO ONCE DAILY TO MEXICO. IT WILL RETAIN THREE FLIGHTS A WEEK FROM NEW ORLEANS TO GUATEMALA. WITH COL. ORANTES, PANAM'S OFFICIALS ATTEMPTED TO RESPOND TO TACA'S WRITTEN BRIEF AND DISTINGUISH BETWEEN FOURTH AND FIFTH FREEDOMS. THEIR IMPRESSIONS WERE THAT ORANTES WAS LEFT CONFUSED SINCE TACA'S AND PANAM'S STATISTICS LEFT WIDE MARGINS. ORANTES KEPT RAISING THE ISSUE OF "MAS ALLA", I.E, PANAM'S ACTIVITY BEYOND POINTS SPECIFIED IN THE PERMIT. ORANTES WAS TOLD OF THE SCHEDULED MEETING LATER THAT DAY WITH TACA BUT THAT PANAM DID NOT FEEL AT LIBERTY TO INVITE HIM; ORANTES SAID HE WOULD ASK TACA TO INVITE HIM. ORANTES TOLD THEM LATER AT THE AIRPORT THAT HE HAD CALLED KRIETE SUGGESTING HIS ATTENDANCE BUT WAS NOT INVITED.

3. CONCERNING THE PERMIT WHOSE RENEWAL APPLICATION IS PRESENTLY BEFORE THE GOES, PANAM OFFICIALS TOLD THE EMBASSY THEY WANTED TO RETAIN THE PRESENT FOUR ROUTES AND ADD THE FIFTH TO NEW YORK AS CONTINGENCIES SHOULD THEIR PROPOSED SCHEDULE RATIONALIZATION BE CHANGED LATER. ORANTES PROMOSED PANAM THAT IT WOULD HAVE AN OPPORTUNITY FOR REBUTTAL TO ANY OBJECTIONS, E.G., FROM TACA, BEFORE THE GOES RULES ON THE PERMIT RENEWAL AS WELL AS THE OCTOBER 28 SCHEDULE APPROVAL.

4. THE EFFECTS ON TACA FRM PANAM'S PROPOSED SCHEDULE CHANGE WOULD APPEAR TO MEET MUCH OF ITS COMPLAINT OF ALLEGED PANAM SATURATION OF THE REGION. TACA WOULD HAVE NO PANAM COMPETITION TO MANAGUA AND SAN JOSE AND ONLY HALF THE PRESENT COMPETITION TO MIAMI, MEXICO AND GUATEMALA. BUT FOLLOWING THE MEETING WITH TACA'S EXECUTIVES, REPORTEDLY ONLY GEORGE MCHUGH EVIDENCED TO PANAM OFFICIALS ANY FAVORABLE REACTION TO THE PROPOSED SCHEDULES. KRIETE AND BALZARETTI FOCUSED ON THE REGION ALMOST TO THE EXCLUSION OF THE US/EL SALVADOR ROUTES AND MAINTAINED THEIR VIEW THAT PANAM SHOULD LEAVE THE ENTIRE REGION TO THE CA AIRLINES. YET THEY SAID THEY WISHED TO AVOID A LIMITED OFFICIAL USE

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CONFRONTATION WITH PANAM AND, CONTRARY TO PREVIOUS EXPRESSIONS IN THE TACA BRIEF AND TO THE GOES, THEY MADE NO MENTION OF WANTING SEATING CAPACITY AS A CRITERIA IN THE NEXT OPERATING PERMIT NOR DID THEY VOICE THE ISSUE OF TRAFFICE BEYOND TERMINAL POINTS. MARTINEZ EXPRESSED THE VIEW THAT THE MEETING WITH TACA RESULTED IN NO REAL MOVEMENT IN THE DISPUTE.

5. CULLEY AND BROWN CALLED ON AVIATECA MANAGEMENT BEFORE COMING

HERE AND LANICA OFFICIALS JULY 25 BEFORE CULLEY RETURNED TO THE US. MARTINEZ ASSUMES GEORGE BROWN WILL VISIT HONDURAS, COSTA RICA AND PANAMA. CULLEY AND BROWN SAID THEY ANTICIPATED NO FURTHER SIGNIFICANT ADVERSE ACTION FROM AVIATECA, LANICA, LACSA, SAHSA OR TAN. THUS, WITH TACA AND COPA LEFT AS THE CLEAR PROTAGONISTS IT WOULD APPEAR THAT THE FLAG OF CA UNITY WILL HAVE TO CARRY A LOT OF WEIGHT TO MOUNT A REGIONAL AIRLINES' PROTEST BEFORE THE CAB.

6. AFTER HIS DISCUSSION WITH ORANTES, MARTINEZ BELIEVES THAT TACA HURT ITS CASE AND ITS RELATIONSHIP WITH ORANTES BY EXCLUDING HIM FROM THE MEETING. ANOTHER CHANCE MAY COME SINCE ORANTES REITERATED HIS PLAN TO HAVE A FULL DRESS MEETING INCLUDING GOES OFFICIALS, TACA AND PANAM. FROM WHAT WE KNOW, WE AGREE WITH MARTINEZ'S VIEW THAT THE PANAM VISIT DID NOT PUT THE ISSUE TO REST BUT IT DID INITIATE A DIALOG WITH THE DAC AND TACA IN RESPONSE TO TACA'S CONCERNS. MARTINEZ IS CONSIDERING THE FORMAL SUBMISSION TO ORANTES OF PANAM RESPONSE TO THE TACA BRIEF AND THE EMBASSY WILL DRAW ON THE CAB LETTER PROVIDED UNDER REFAIR AS THE OPPORTUNITY ARISES.

MOSKOWITZ

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